



Dave Yost • Auditor of State

NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY

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INDEPENDENT AUDITOR'S REPORT

Northern Ohio Educational Computer Association
Erie County
1210 East Bogart Road
Sandusky, Ohio 44870-6411

To the Members of the Association Assembly:

Report on the Financial Statement

We have audited the accompanying financial statement and related notes of Northern Ohio Educational Computer Association, Erie County, Ohio, (the Association) as of and for the years ended June 30, 2015 and 2014.

Management's Responsibility for the Financial Statement

Management is responsible for preparing and fairly presenting this financial statement in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit; this responsibility includes designing, implementing and maintaining internal control relevant to preparing and fairly presenting financial statements free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to opine on this financial statement based on our audit. We audited in accordance with auditing standards generally accepted in the United States of America and the financial audit standards in the Comptroller General of the United States' *Government Auditing Standards*. Those standards require us to plan and perform the audit to reasonably assure the financial statement is free from material misstatement.

An audit requires obtaining evidence about financial statement amounts and disclosures. The procedures selected depend on our judgment, including assessing the risks of material financial statement misstatement, whether due to fraud or error. In assessing those risks, we consider internal control relevant to the Association's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not to the extent needed to opine on the effectiveness of the Association's internal control. Accordingly, we express no opinion. An audit also includes evaluating the appropriateness of management's accounting policies and the reasonableness of their significant accounting estimates, as well as our evaluation of the overall financial statement presentation.

We believe the audit evidence we obtained is sufficient and appropriate to support our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the Association prepared this financial statement using the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D), which is an accounting basis other than accounting principles generally accepted in the United States of America, to satisfy these requirements.

Although the effects on the financial statement of the variances between the regulatory accounting basis and GAAP are not reasonably determinable, we presume they are material.

Though the Association does not intend this statement to conform to GAAP, auditing standards generally accepted in the United States of America require us to include an adverse opinion on GAAP. However, the adverse opinion does not imply the amounts reported are materially misstated under the accounting basis Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit. Our opinion on this accounting basis is in the *Opinion on Regulatory Basis of Accounting* paragraph below.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the *Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles* paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Association as of June 30, 2015 and 2014, or changes in financial position or cash flows thereof for the years then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the cash balance of Northern Ohio Educational Computer Association, Erie County, Ohio as of June 30, 2015 and 2014, and its cash receipts and disbursements for the years then ended in accordance with the financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit, described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2016, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report describes the scope of our internal control testing over financial reporting and compliance, and the results of that testing, and does not opine on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Association's internal control over financial reporting and compliance.



Dave Yost
Auditor of State

Columbus, Ohio

April 6, 2016

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**STATEMENT OF RECEIPTS, DISBURSEMENTS,
AND CHANGE IN FUND BALANCE (CASH BASIS)
ENTERPRISE FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	2015	2014
Operating Cash Receipts		
Charges for Services	\$2,113,526	\$1,995,684
 Operating Cash Disbursements		
Employees Salaries and Wages	1,105,174	969,442
Employees Retirement and Insurance	417,962	351,661
Purchased Services	1,274,562	663,705
Supplies and Materials	10,395	25,824
Capital Outlay	161,638	56,125
Other Objects	40,684	42,298
 <i>Total Operating Cash Disbursements</i>	<i>3,010,415</i>	<i>2,109,055</i>
 <i>Operating Loss</i>	<i>(896,889)</i>	<i>(113,371)</i>
 Non-Operating Receipts		
Earnings on Investments	5,081	3,424
Sale of Fixed Assets		5,313
State Sources - Unrestricted	195,960	200,241
State Sources - Restricted	828,886	18,472
Refund of Prior Years Expenditures	86,630	76,763
 <i>Total Non-Operating Receipts</i>	<i>1,116,557</i>	<i>304,213</i>
 <i>Net Change in Fund Cash Balance</i>	<i>219,668</i>	<i>190,842</i>
 <i>Fund Cash Balance, July 1</i>	<i>1,742,731</i>	<i>1,551,889</i>
 <i>Fund Cash Balance, June 30</i>	<i>\$1,962,399</i>	<i>\$1,742,731</i>

The notes to the financial statements are an integral part of this statement.

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015 AND 2014**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of the Entity

Empowered by Section 3313.92, Ohio Revised Code, Northern Ohio Educational Computer Association, Erie County, Ohio (the Association), is a jointly governed organization composed of member school districts. As of June 30, 2015, there are thirty-seven member school districts. The basic geographic service area includes Erie, Ottawa, Huron, Sandusky, Seneca, Wood and Crawford Counties. The purpose of the Association is to develop and implement a computer system efficiently and effectively for the needs of the member school districts. The Association is governed by an Association Assembly which consists of the superintendent (or his designate) of each member school district. Each of the member school districts supports the Association based upon fees charged for services utilized. The Association Assembly is responsible for approving the fee schedule. In general, the fees are based on a per pupil charge and/or dependent upon the software package of service utilized. In the event of dissolution of the Association, all current members will share in net obligations or asset liquidations in a ration proportionate to their last twelve months financial contributions. The degree of control exercised by any participating school district is limited to its representation on the Association Assembly.

North Point Educational Service Center (the ESC) serves as fiscal agent and custodian, however, it is not accountable for the operation of the Association; therefore the operations of the ESC have been excluded from the Association's financial statements.

The Association's management believes these financial statements present all activities for which the Association is financially accountable.

B. Accounting Basis

The financial statement follows the accounting basis permitted by the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D). This basis is similar to the cash receipts and disbursements accounting basis. The Association recognizes receipts when received in cash rather than when earned, and recognizes disbursements when paid rather than when a liability is incurred. Budgetary presentations report budgetary expenditures when a commitment is made (i.e., when an encumbrance is approved).

The statement includes adequate disclosure of material matters, as the financial reporting provisions of Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

C. Deposits and Investments

As required by the Ohio Revised Code, North Point Educational Service Center's (the ESC's) Treasurer is custodian for the Association's cash. The ESC's cash and investment pool holds the Association's assets, valued at the Treasurer's reported carrying amount.

D. Budgetary Process

The Association is not bound by the budgetary laws prescribed by the Ohio Revised Code. The Assembly annually approves the budget for the Association. The budget includes an

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015 AND 2014
(Continued)**

estimate of the amounts expected to be received and expended by the Association during the fiscal year. Budget amendments are approved by the Board of Directors during the year as required.

The Association reserves (encumbers) appropriations when individual commitments are made. Encumbrances outstanding at year end are carried over, and need not be reappropriated.

A summary of 2015 and 2014 budgetary activity appears in Note 2.

E. Property, Plant, and Equipment

The Association records disbursements for acquisitions of property, plant, and equipment when paid. The accompanying financial statement does not report these items as assets.

F. Accumulated Leave

In certain circumstances, such as upon leaving employment, employees are entitled to cash payments for unused leave. The financial statement does not include a liability for unpaid leave.

2. BUDGETARY ACTIVITY

Budgetary activity for the years ending June 30, 2015 and 2014 follows:

2015 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$3,227,133	\$3,230,083	\$2,950

2015 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$5,059,314	\$3,046,638	\$2,012,676

2014 Budgeted vs. Actual Receipts		
Budgeted Receipts	Actual Receipts	Variance
\$2,047,695	\$2,299,897	\$252,202

2014 Budgeted vs. Actual Budgetary Basis Expenditures		
Appropriation Authority	Budgetary Expenditures	Variance
\$3,725,263	\$2,159,336	\$1,565,927

3. RETIREMENT SYSTEM

The Association's employees belong to the School Employees Retirement Systems of Ohio (SERS). SERS is a cost-sharing, multiple-employer public employee retirement plan. This plan

**NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION
ERIE COUNTY**

**NOTES TO THE FINANCIAL STATEMENT
JUNE 30, 2015 AND 2014
(Continued)**

provides retirement benefits, including post-retirement healthcare, and survivor and disability benefits to participants as prescribed by the Ohio Revised Code.

Contribution rates are also prescribed by the Ohio Revised Code. For 2015 and 2014, SERS members contributed 10 percent of their gross salaries. The Association contributed an amount equal to 14 percent of participants' gross salaries. The Association has paid all contributions required through June 30, 2015.

4. RISK MANAGEMENT

Commercial Insurance

The Association has obtained commercial insurance for the following risks:

- Commercial property;
- Commercial inland marine;
- Commercial crime; and
- Commercial general liability.

The ESC has obtained commercial insurance coverage for the following risks:

- Vehicles; and
- Errors and omissions.

The ESC also provides health insurance and dental and vision coverage to full-time employees through a private carrier.

5. CONTINGENT LIABILITIES

Amounts grantor agencies pay to the Association are subject to audit and adjustment by the grantor. The grantor may require refunding any disallowed costs. Management cannot presently determine amounts grantors may disallow. However, based on prior experience, management believes any refunds would be immaterial.



Dave Yost • Auditor of State

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS REQUIRED BY *GOVERNMENT AUDITING STANDARDS*

Northern Ohio Educational Computer Association
Erie County
1210 East Bogart Road
Sandusky, Ohio 44870-6411

To the Members of the Association Assembly:

We have audited, in accordance with auditing standards generally accepted in the United States and the Comptroller General of the United States' *Government Auditing Standards*, the financial statement of Northern Ohio Educational Association, Erie County, Ohio (the Association) as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statement, and have issued our report thereon dated April 6, 2016, wherein we noted the Association followed financial reporting provisions Ohio Revised Code Section 117.38 and Ohio Administrative Code Section 117-2-03(D) permit.

Internal Control Over Financial Reporting

As part of our financial statement audit, we considered the Association's internal control over financial reporting (internal control) to determine the audit procedures appropriate in the circumstances to the extent necessary to support our opinion on the financial statement, but not to the extent necessary to opine on the effectiveness of the Association's internal control. Accordingly, we have not opined on it.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, when performing their assigned functions, to prevent, or detect and timely correct misstatements. A *material weakness* is a deficiency, or combination of internal control deficiencies resulting in a reasonable possibility that internal control will not prevent or detect and timely correct a material misstatement of the Association's financial statement. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all internal control deficiencies that might be material weaknesses or significant deficiencies. Given these limitations, we did not identify any deficiencies in internal control that we consider material weaknesses. However, unidentified material weaknesses may exist.

Compliance and Other Matters

As part of reasonably assuring whether the Association's financial statement is free of material misstatement, we tested its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could directly and materially affect the determination of financial statement amounts. However, opining on compliance with those provisions was not an objective of our audit and accordingly, we do not express an opinion. The results of our tests disclosed no instances of noncompliance or other matters we must report under *Government Auditing Standards*.

Purpose of this Report

This report only describes the scope of our internal control and compliance testing and our testing results, and does not opine on the effectiveness of the Association's internal control or on compliance. This report is an integral part of an audit performed under *Government Auditing Standards* in considering the Association's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Dave Yost". The signature is written in a cursive style with a large, looping initial "D".

Dave Yost
Auditor of State

Columbus, Ohio

April 6, 2016



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NORTHERN OHIO EDUCATIONAL COMPUTER ASSOCIATION

ERIE COUNTY

CLERK'S CERTIFICATION

This is a true and correct copy of the report which is required to be filed in the Office of the Auditor of State pursuant to Section 117.26, Revised Code, and which is filed in Columbus, Ohio.

Susan Babbitt

CLERK OF THE BUREAU

**CERTIFIED
APRIL 28, 2016**